

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN
AT LAW AND IN ADMIRALTY

UNITED STATES OF AMERICA,

Plaintiff,

v.

Case No.

APPROXIMATELY 1.00575045 BITCOIN (BTC)
CRYPTOCURRENCY FROM COINBASE
ACCOUNT ENDING IN F840E,

APPROXIMATELY 128.9072664 LINK
CRYPTOCURRENCY FROM COINBASE
ACCOUNT ENDING IN F840E, and

APPROXIMATELY 3.6387 ETH2
CRYPTOCURRENCY FROM COINBASE
ACCOUNT ENDING IN F840E,

Defendants.

VERIFIED COMPLAINT FOR CIVIL FORFEITURE IN REM

The United States of America, by its attorneys, Gregory J. Haanstad, United States Attorney for the Eastern District of Wisconsin, and Bridget J. Schoenborn, Assistant United States Attorney for this district, alleges the following in accordance with Supplemental Rule G(2) of the Federal Rules of Civil Procedure:

Nature of the Action

1. This is a civil action to forfeit property to the United States of America, under 18 U.S.C. §§ 981(a)(1)(A) and 984, and 21 U.S.C. § 881(a)(6), for violations of 18 U.S.C. § 1956(a)(1) and 21 U.S.C. § 841(a)(1).

The Defendants In Rem

2. The defendant property, approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E, was seized on or about May 10, 2022, from Gregory Kosmatka at or near 100 Pine Street, San Francisco, California.

3. The defendant property, approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E, was seized on or about May 10, 2022, from Gregory Kosmatka at or near 100 Pine Street, San Francisco, California.

4. The defendant property, approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E, was seized on or about May 10, 2022, from Gregory Kosmatka at or near 100 Pine Street, San Francisco, California.

5. The Drug Enforcement Administration seized the defendant properties pursuant to seizure warrant 22-MJ-86 issued by United States Magistrate Judge William E. Duffin in the Eastern District of Wisconsin.

6. The defendant approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E is presently in the custody of the United States Marshal Service in Milwaukee, Wisconsin.

7. The defendant approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E is presently in the custody of the Drug Enforcement Administration in Milwaukee, Wisconsin.

8. The defendant approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E is presently in the custody of Coinbase in San Francisco, California.

Jurisdiction and Venue

9. This Court has subject matter jurisdiction over an action commenced by the United States under 28 U.S.C. § 1345, and over an action for forfeiture under 28 U.S.C. § 1355(a).

10. This Court has *in rem* jurisdiction over the defendant properties under 28 U.S.C. § 1355(b).

11. Venue is proper in this district under 28 U.S.C. § 1355(b)(1), because the acts or omissions giving rise to the forfeiture occurred in this district.

Basis for Forfeiture

12. The defendant property, approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E, is subject to forfeiture to the United States of America under 21 U.S.C. § 881(a)(6) because it represents proceeds of trafficking in controlled substances, was purchased with proceeds traceable to an exchange of money for controlled substances, or was used or intended to be used to facilitate a violation of 21 U.S.C. § 841(a)(1).

13. The defendant property, approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E, is also subject to forfeiture under 18 U.S.C. §§ 981(a)(1)(A) and 984 because it was involved in money laundering transactions in violation of 18 U.S.C. § 1956(a)(1).

14. The defendant property, approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E, is subject to forfeiture to the United States of America under 21 U.S.C. § 881(a)(6) because it represents proceeds of trafficking in controlled substances, was purchased with proceeds traceable to an exchange of money for controlled substances, or was used or intended to be used to facilitate a violation of 21 U.S.C. § 841(a)(1).

15. The defendant property, approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E, is also subject to forfeiture under 18 U.S.C. §§ 981(a)(1)(A) and 984 because it was involved in money laundering transactions in violation of 18 U.S.C. § 1956(a)(1).

16. The defendant property, approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E, is subject to forfeiture to the United States of America under 21 U.S.C. § 881(a)(6) because it represents proceeds of trafficking in controlled substances, was purchased with proceeds traceable to an exchange of money for controlled substances, or was used or intended to be used to facilitate a violation of 21 U.S.C. § 841(a)(1).

17. The defendant property, approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E, is also subject to forfeiture under 18 U.S.C. §§ 981(a)(1)(A) and 984 because it was involved in money laundering transactions in violation of 18 U.S.C. § 1956(a)(1).

Facts

18. Marijuana is a Schedule I controlled substance under 21 U.S.C. § 812.

19. Tetrahydrocannabinol (“THC”) is a Schedule I controlled substance under 21 U.S.C. § 812.

May 6, 2022 execution of search warrant at Gregory Kosmatka’s residence located at 9XXX West Sura Lane, Apt. XXX, Greenfield, Wisconsin

20. On May 6, 2022, officers executed a search warrant at the residence of Gregory Kosmatka, 9XXX West Sura Lane, Apt. XXX, Greenfield, Wisconsin (the “Sura Residence”).

21. Gregory Kosmatka is the sole occupant of the Sura Residence and was present during execution of the warrant.

22. On May 6, 2022, the following items, among other things, were inside the Sura Residence:

- A. A total of approximately \$75,554 in United States currency. The approximately \$75,554 is not included in this case because it is currently the subject of administrative forfeiture proceedings.
- B. Drug paraphernalia and approximately one gram of marijuana.
- C. The keys to 10XX-X East Potter Avenue, Milwaukee, Wisconsin.

May 6, 2022 execution of search warrant at Gregory Kosmatka's residence/office located at 10XX-X East Potter Avenue, Milwaukee, Wisconsin

23. On May 6, 2022, officers executed a search warrant at the residence/office of Gregory Kosmatka, 10XX-X East Potter Avenue, Milwaukee, Wisconsin (the "Potter Residence").

24. On May 6, 2022, the following items, among other things, were inside the Potter Residence:

- A. In the kitchen were a digital scale and a vacuum sealer.
- B. In the upstairs office were the following:
 - i. Multiple boxes of THC wax located on a shelf, with a total weight of approximately 4,505 grams of THC wax.
 - ii. THC wax on paper in the desk, with a total weight of approximately 566.99 grams of THC wax.
 - iii. Multiple containers of THC wax located on a shelf, with a total weight of approximately 2,115 grams of THC wax.
 - iv. Three bags of THC plant located in a desk drawer, with a total weight of approximately 226.79 grams of THC.
 - v. Four bags of THC vape pens located on a shelf, with a total weight of approximately 565 grams THC.
 - vi. Documents containing cryptocurrency information located in a filing cabinet.

- vii. Documents detailing bills for the Sura Residence, the Potter Residence, and a storage unit located on a cork board on the wall.

C. In the upstairs storage room were the following:

- i. A duffle bag containing approximately 3,288.54 grams of THC plant.
- ii. A backpack containing approximately 293 THC vape cartridges.
- iii. A duffle bag containing approximately 997.9 grams of THC plant.
- iv. A duffle bag containing approximately 614 THC vape cartridges.
- v. A duffle bag containing approximately 471 THC vape cartridges.
- vi. A duffle bag containing approximately 211 THC vape cartridges.
- vii. Three boxes containing a total of approximately 9,565 grams of THC edibles.
- viii. Approximately 19 THC vape cartridges on a shelf.
- ix. A vacuum sealer.
- x. A photograph of Gregory Kosmatka.

25. A total of approximately 23,420 grams (about 51 pounds) of THC-related products was seized from the Potter Residence on May 6, 2022.

May 6, 2022 execution of search warrant at Gregory Kosmatka's storage locker located at 1500 South 1st Street, Unit #333, Milwaukee, Wisconsin

26. On May 6, 2022, officers executed a search warrant of U-Haul storage locker #333, rented by Gregory Kosmatka, located at 1500 South 1st Street, Milwaukee, Wisconsin (the "Storage Locker").

27. Gregory Kosmatka admitted that he rents the Storage Locker and signed a Consent to Search Authorization form for the Storage Locker.

28. On May 6, 2022, approximately \$30,000 in United States currency and vape parts, among other things, were inside the Storage Locker. The approximately \$30,000 is not included in this case because it is currently the subject of administrative forfeiture proceedings.

May 6, 2022 Mirandized interview of Gregory Kosmatka

29. On May 6, 2022, at the West Allis Police Department, officers conducted an interview of Gregory Kosmatka (the “Interview”).

30. Prior to conducting the Interview, the officers read Gregory Kosmatka his Constitutional Miranda Rights. Gregory Kosmatka stated that he understood each of his rights and was willing to speak with officers.

31. During the Interview, Gregory Kosmatka (“G.K.”) admitted the following:

- A. G.K. is the sole occupant and renter of both 9XXX West Sura Lane in Greenfield and 10XXX East Potter Avenue in Milwaukee. Everything found inside those two residences belongs to G.K. and no one else had access to either residence.
- B. G.K. is the sole renter of U-Haul storage locker #333 located at 1500 South 1st Street in Milwaukee. Everything found inside the locker belongs to G.K. and no one else had access to the locker.
- C. G.K. recently “stocked up” on THC products, including edibles, wax, plant, and cartridges. He purchased \$10,000 worth of vape cartridges, \$10,000 worth of plant, and a “couple thousand” dollars’ worth of edibles.
- D. G.K. has been selling marijuana, cartridges, and edibles since approximately 2018. He makes good money selling marijuana and estimates clearing \$5,000 to \$10,000 a month just from selling marijuana.
- E. G.K. buys and sells cryptocurrency.

Coinbase account ending in F840E held in the name of Gregory Kosmatka

32. Coinbase account ending in F840E (“Coinbase F840E”) – from which the defendant properties were seized – is held in the name of Gregory Kosmatka.

33. Gregory Kosmatka admitted that he purchased and traded various forms of cryptocurrency.

34. Based on the investigation to date, case agents believe that Gregory Kosmatka used his drug proceeds to purchase the defendant properties, approximately 1.00575045 Bitcoin (BTC), approximately 128.9072664 Link, and approximately 3.6387 ETH2 cryptocurrencies from Coinbase F840E.

35. Based on their training and experience, case agents are aware that drug traffickers and money launderers may use their criminal proceeds to purchase and exchange cryptocurrency to conceal the source and nature of the funds.

Warrant for Arrest In Rem

36. Upon the filing of this complaint, the plaintiff requests that the Court issue an arrest warrant *in rem* pursuant to Supplemental Rule G(3)(b), which the plaintiff will execute upon the defendant properties pursuant to 28 U.S.C. § 1355(d) and Supplemental Rule G(3)(c).

Claims for Relief

37. The plaintiff alleges and incorporates by reference the paragraphs above.

38. By the foregoing and other acts, the defendant property, approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E, represents proceeds of trafficking in controlled substances, was purchased with proceeds traceable to an exchange of money for controlled substances, or was used or intended to be used to facilitate a violation of 21 U.S.C. § 841(a)(1).

39. The defendant approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E is therefore subject to forfeiture to the United States of America under 21 U.S.C. § 881(a)(6).

40. By the foregoing and other acts, the defendant property, approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E, was involved in money laundering transactions in violation of 18 U.S.C. § 1956(a)(1).

41. The defendant approximately 1.00575045 Bitcoin (BTC) cryptocurrency from Coinbase account ending in F840E is therefore subject to forfeiture under 18 U.S.C. §§ 981(a)(1)(A) and 984.

42. By the foregoing and other acts, the defendant property, approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E, represents proceeds of trafficking in controlled substances, was purchased with proceeds traceable to an exchange of money for controlled substances, or was used or intended to be used to facilitate a violation of 21 U.S.C. § 841(a)(1).

43. The defendant approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E is therefore subject to forfeiture to the United States of America under 21 U.S.C. § 881(a)(6).

44. By the foregoing and other acts, the defendant property, approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E, was involved in money laundering transactions in violation of 18 U.S.C. § 1956(a)(1).

45. The defendant approximately 128.9072664 Link cryptocurrency from Coinbase account ending in F840E is therefore subject to forfeiture under 18 U.S.C. §§ 981(a)(1)(A) and 984.

46. By the foregoing and other acts, the defendant property, approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E, represents proceeds of trafficking in controlled substances, was purchased with proceeds traceable to an exchange of

money for controlled substances, or was used or intended to be used to facilitate a violation of 21 U.S.C. § 841(a)(1).

47. The defendant approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E is therefore subject to forfeiture to the United States of America under 21 U.S.C. § 881(a)(6).

48. By the foregoing and other acts, the defendant property, approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E, was involved in money laundering transactions in violation of 18 U.S.C. § 1956(a)(1).

49. The defendant approximately 3.6387 ETH2 cryptocurrency from Coinbase account ending in F840E is therefore subject to forfeiture under 18 U.S.C. §§ 981(a)(1)(A) and 984.

WHEREFORE, the United States of America prays that a warrant of arrest for the defendant properties be issued; that due notice be given to all interested parties to appear and show cause why the forfeiture should not be decreed; that judgment declare the defendant properties to be condemned and forfeited to the United States of America for disposition according to law; and that the United States of America be granted such other and further relief as this Court may deem just and equitable, together with the costs and disbursements of this action.

Dated at Milwaukee, Wisconsin, this 7th day of October, 2022.

Respectfully submitted,

GREGORY J. HAANSTAD
United States Attorney

By: s/BRIDGET J. SCHOENBORN
BRIDGET J. SCHOENBORN
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Verification

I, Kostandean Kazamias, hereby verify and declare under penalty of perjury that I am a Special Agent with the Drug Enforcement Administration (“DEA”), that I have read the foregoing Verified Complaint for Civil Forfeiture *in rem* and know the contents thereof, and that the factual matters contained in paragraphs 18 through 35 of the Verified Complaint are true to my own knowledge.

The sources of my knowledge and information are the official files and records of the United States, information supplied to me by other law enforcement officers, as well as my investigation of this case, together with others, as a Special Agent with the DEA.

I hereby verify and declare under penalty of perjury that the foregoing is true and correct.

Date: 10/07/2022

s/Kostandean Kazamias
Kostandean Kazamias
Special Agent
Drug Enforcement Administration